

## REMARKS

This is intended as a full and complete response to the Office Action dated May 24, 1999, having a shortened statutory period for response set to expire on August 24, 1999. Claims 1-14 are pending in the application. Claims 1-14 have been canceled without prejudice. Claims 15-30 have been added. Please reconsider the claims pending in the application for reasons discussed below.

Claims 1-4 and 6-14 stand rejected under 35 U.S.C. § 102(e) as being anticipated by *Haugen*, U.S. Patent No. 5,887,668. The Examiner states that *Haugen* discloses all the limitations of the above claims.

Applicants has cancelled the above claims and added claims 15-30. In regards to the reference cited by the Examiner, *Haugen* discloses a tool for use in a wellbore sidetracking operation. The tool includes a milling section for milling an opening in a tubular in a first wellbore. The tool further includes a drilling section for drilling a second wellbore from the opening in the tubular. *Haugen* does not teach, show, or suggest a rotary drill bit for milling casing material and drilling subterranean formation material, comprising a bit body having a shank portion and a matrix portion for interconnection to a drill string, and a plurality of cutting elements extending from the matrix portion, a first set of the cutting elements adapted for milling casing material and a second set of the cutting elements adapted for drilling subterranean formation material, as recited in new claims 15 - 21.

Further, *Haugen* does not teach, show, or suggest a rotary drill bit for milling casing material and drilling subterranean formation material, comprising a bit body having a plurality of cutting elements extending from the bit body, a first set of the cutting elements adapted for milling casing material and a second set of the cutting elements adapted for drilling subterranean formation material, wherein the cutting elements of the first and second sets are substantially interspersed on a surface of the bit body, as recited in new claims 22 - 28. Furthermore, *Haugen* does not teach, show, or suggest a method of drilling a lateral wellbore, comprising positioning a rotary drill bit disposed on a drill string proximate a desired location in a cased wellbore, whereby the rotary drill bit includes a bit body, a first set of the cutting elements and a second set of

the cutting elements, wherein the cutting elements of the first and second sets are substantially interspersed on a surface of the bit body, as recited in new claims 29 and 30. Therefore, Applicant believes new claims 15-30 are in condition for allowance, and respectfully requests allowance of the same.

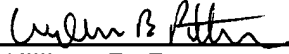
Claim 5 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over *Haugen* in view of *Jurgens*, GB 2,086,451. As stated in the previous paragraph, Applicant believes *Haugen* does not teach, show, or suggest the invention disclosed in new claims 15-30. For similar reasons, Applicant believes that new claims 15-30 are patentable over *Haugen* in view of *Jurgens* and respectfully request allowance of the same.

Furthermore, the Examiner states that the Applicant has not given a post office address anywhere in the application papers as required by 37 CFR 1.33(a). In response, the Applicant has attached a Declaration in accordance with 37 CFR 1.33(a).

In conclusion, the references cited by the Examiner, neither alone nor in combination, teach, show, or suggest the method or process of the present invention. Having addressed all issues set out in the office action, Applicant respectfully submits that the claims are in condition for allowance and respectfully requests that the claims be allowed.

The prior art made of record is noted. However, it is believed that the secondary references are no more pertinent to the Applicant's disclosure than the primary references cited in the office action. Therefore, it is believed that a detailed discussion of the secondary references is not deemed necessary for a full and complete response to this office action. Accordingly, allowance of the claims is respectfully requested.

Respectfully submitted,



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